



# Cochise County Board of Supervisors

Public Programs...Personal Service  
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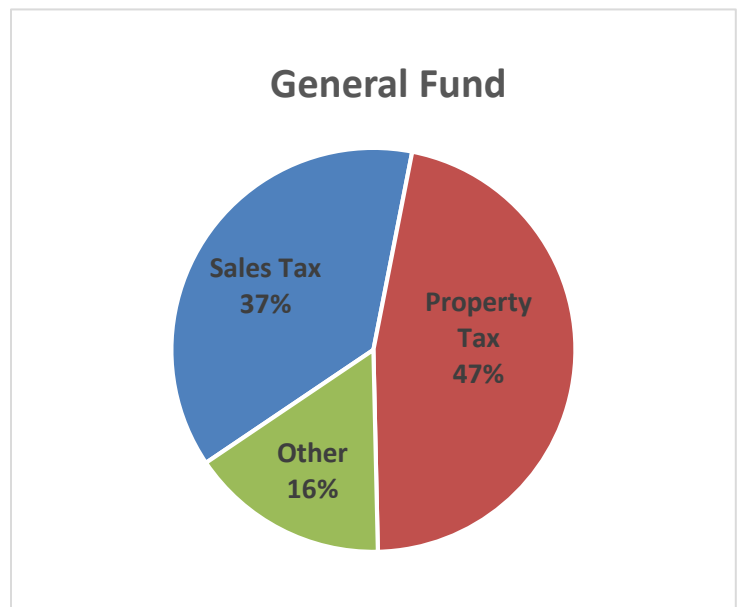
**KIM LEMONS**  
Clerk of the Board

**To:** Department Directors; Elected Officials  
**From:** Daniel Duchon, Budget Manager  
**Via:** Edward T. Gilligan, County Administrator  
**Date:** April 13, 2020  
**Re:** FY21 Budget Stance and Preparation for Budget Work-sessions

In late January/early February, I met with Department Directors and Elected Officials explaining then that revenues were strong, our expenditure limit would not increase greatly, and that the upcoming budget would look much like that of the prior year's. Unfortunately, due to the economic uncertainties resulting from the COVID-19 crisis, we no longer live in that world. This memo serves to update Department Directors and Elected Officials on the fiscal reality for FY 21. I also outline considerations that will help you prepare for budget work-sessions later this month.

### Revenues:

General Fund revenues are comprised of Property Tax, consumer-based Sales Tax, and other aggregated revenues (see chart). Annually assessed property taxes provide a stable revenue source over a long timeframe in relation to the economic health of the region. Consumer-based Sales Taxes rise and fall with much more volatility. Consumer activity is greatly affected by the pandemic crisis and we are awaiting sales tax reports to fully understand the impact (data lagged two months). Any prudent projection will reflect a dramatic drop in local sales tax revenue. Further, much of the County consumer tax revenue is a redistribution from the Phoenix and Tucson metro areas (state shared consumer tax revenue) – meaning a state-wide economic slowdown must be calculated for in rural Arizona.



## Budgeting in FY20-21

Due to the lag in Sales Tax reporting and general uncertainty we do not know the extent of the revenue drop we are about to encounter. Some economists project a drop in consumer activity of 5% to 20%; while the State of Arizona projected a revenue drop of 1.1 billion dollars – plus or minus half of a billion. Although most budgets have already been submitted – start the process of analyzing your operations to ask what a reduction of 2%, 5%, 10%, or 15% looks like to your department. While you may hear many numbers being tossed about – keep in mind nobody can predict the extent of the economic damage yet – so we must all be prepared to pivot. Some thoughts or suggestions:

- Flat cuts – would your operation be best suited for a flat “off the top” cut based on a percentage?
- Staffing Changes – long held open vacancies... or other restructures based on how you see your department in the future
- Targeted cuts – would your operation be best suited to stop doing one or two specific things all together – driven by if the service provided is required by State Statute, or not
- Other questions to ask:
  - Can we reduce the frequency or availability of such program?
  - Can we reduce the level of detail or breadth of the program we provide?
  - Can we reduce the speed or turnaround time of the product we provide?
  - Can we reduce the number of locations in which the service is provided?
- Funding Requests – every “add” is now a “take” - nothing can be added to this year’s budget without being cut from elsewhere

Please do not take these suggestions an affront to the positive work you do. We are facing a dilemma of the most difficult type; the choice not between right or wrong; rather we must choose between many good and positive things. I urge you to consider the questions above and be prepared with suggestions... this will ensure that you are part of the discussion.

On April 23, 2020 the Board of Supervisors will hold the first FY21 Budget work-session on early projections for revenues, expenses, expenditure limit, and fund balances. I recommend all Directors and Elected Officials attend (via Microsoft Teams or call-in) to better grasp the situation in which we find ourselves. Attached is a budget review document I will prepare for all Departments/Offices for their work-session.